



Iowa Department of Human Services

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INFORMATIONAL LETTER NO.1897-MC-FFS

DATE: April 12, 2018

TO: Iowa Medicaid Physicians, Hospitals, Advanced Registered Nurse Practitioners, Federally Qualified Health Centers (FQHCs), Rural Health Clinics (RHCs), Podiatrists, Community Mental Health Centers, Clinics, Family Planning Clinics, Screening Centers, Maternal Health Clinics, Ambulatory Surgical Centers, Mental Hospital, Institutional-General, Certified Nurse Midwives and Certified Registered Nurse Anesthetists

APPLIES TO: Managed Care (MC) and Fee-for-Service (FFS)

FROM: Iowa Department of Human Services (DHS), Iowa Medicaid Enterprise (IME)

RE: Physician-Administered Drugs and National Drug Code (NDC) Billing Requirements Update

EFFECTIVE: June 1, 2018

[Informational Letter 1663](#)¹ published on April 27, 2016, updated and summarized several prior Informational Letters regarding NDC billing requirements for all physician-administered drugs, which includes any covered outpatient drug provided or administered to a member, which is billed by a provider other than a pharmacy. This was done to comply with the Centers for Medicare and Medicaid Services (CMS) requirements pursuant to the Federal Deficit Reduction Act (DRA) of 2005.

Part 1 - A New Policy: Only Rebateable Physician Administered Drugs are Payable

Informational Letter [1663](#) also indicated that, in order to facilitate reimbursement of the most cost-effective drugs by maximizing the Medicaid drug rebates, “providers would soon be required to utilize only drugs manufactured by companies who hold a federal rebate agreement.” This letter announces the implementation of that policy. **Effective for dates of service on and after June 1, 2018, only rebate eligible NDCs will be eligible for coverage and payment by Medicaid, both under FFS and MC.** All other program requirements and directions from Informational Letter [1663](#) remains accurate.

Iowa Medicaid will determine the rebate eligibility of drugs using the labeler code that identifies the manufacturer; the labeler code is the first five digits of the (11-digit) NDC code. The list to determine rebate is the CMS Drug Manufacturer Contact Information found on the

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https://dhs.iowa.gov/sites/default/files/1663_PhysicianAdministeredDrugs_NationalDrugCodeBillingRequirements.pdf

[Medicaid Drug Rebate Program](#)² webpage of Medicaid.gov under the heading “Contact Information”.

- The first five digits on the notepad list identify the labeler code representing the manufacturer of the drug followed by the labeler name.
- The first five digits are used for any NDC produced by that labeler.
- If a labeler is included on the list of drug manufacturers participating in the CMS Medicaid Drug Rebate Program, **all** FDA approved outpatient drugs manufactured by that labeler are considered rebate eligible and would be covered as allowed by Medicaid policy.

The NDC reporting requirement does not apply to:

- Physician-administered drugs rendered in an outpatient hospital setting and as billed with the appropriate Healthcare Common Procedure Coding System (HCPCS) Level II code, where the physician-administered drug being rendered, is reflected/included in the Ambulatory Payment Classification (APC) being billed for the total services being rendered. Per CMS guidance, such drugs included in the APC “bundled payment” methodology are exempt.
- Devices - items considered by the Food and Drug Administration (FDA) to be “devices” and not “drugs”.

Part 2 - Common Billing Errors Causing Rebate Disputes

Drug manufacturers dispute rebate claims by the Medicaid program in cases where information on claims is not fully consistent with their product’s dispensing measures. Most disputes are the result of NDC-related billing errors for physician-administered drugs. The following sections identify several common billing errors that result in rebate disputes between the manufacturer and the IME. Providers should review this information carefully to mitigate any NDC-related billing errors moving forward. Inaccurate billing will result in claims being recouped, provider sanctions, and/or termination of provider agreements.

1. Correct NDC is not reported – Providers must bill using the NDC of the specific product actually administered to a specific member during that specific encounter.
 - a. Use the NDC from the product label; do not set up your system to use a default NDC every time you bill a certain Current Procedural Terminology (CPT) or HCPCS code. Each CPT/HCPCS code may have many possible NDCs because it may come in more than one strength, more than one package size, or is manufactured or labeled by more than one company.
 - b. Train clinical staff to document the specific NDC from the product administered during the encounter and to record the dosage administered in the medical record or on the charge ticket or billing form so the correct NDC and quantity can be entered on the provider’s claim.
2. Invalid CPT/HCPCS to NDC Crosswalk – Providers must bill the administered drug product, as identified by the NDC, which is assigned to the specific CPT/HCPCS code billed. Verify that you have reported the correct NDC for the procedure code billed (i.e., both the procedure and the NDC are for the same type of drug).

² <https://www.medicaid.gov/medicaid/prescription-drugs/medicaid-drug-rebate-program/index.html>

3. Procedure Code Units are not reported accurately – Providers must bill the quantity on the claim that reflects the procedure code units of the administered drug.
 - a. The CPT/HCPCS procedure code description identifies the unit amount to calculate the number of units to be billed.
 - b. The procedure code units billed must represent the actual dose administered.
 - c. Quantities billed must be consistent with the dosing standards.

Prior to billing Medicaid confirm the following:

- The NDC administered is what is actually being billed.
- The NDC matches to CPT/HCPCS code being billed.
- The quantity billed is correct based on the CPT/HCPCS unit of measure and dose administered.

The IME appreciates your continued partnership. If you have questions, please contact the IME Provider Services Unit at 1-800-338-7909 or email at imeproviderservices@dhs.state.ia.us.